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In the Supreme Court of the United States

OCTOBER TERM, 1960.

No. 604.

GRAVER TANK & MFG. CO., INC., and
THE LINCOLN ELECTRIC COMPANY,

Petitioners,

v.

UNION CARBIDE CORPORATION,

Respondent.

PETITION FOR WRIT OF CERTIORARI
To the United States Court of Appeals
For the Seventh Circuit.

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December 20, 1960.

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TABLE OF CONTENTS.

PETITION FOR WRIT OF CERTIORARI	1
NATURE OF THE CASE	2
—Opinions Below	3
—Jurisdiction	3
QUESTIONS PRESENTED	4
STATUTE INVOLVED	6
STATEMENT OF CASE	6
—The Parties	6
—The Patent in Suit	7
—The Fraud on the Courts	7
(i) Union Carbide Represented to the Courts That Use of Manganese Silicate as Welding Flux Was Taught by Jones Patent in Suit, as Read by Experts	8
(ii) Union Carbide's Sworn Proofs in Other Proceedings Show the Representations on Which This Court Acted Were False	8
—Toll Laid on Noninfringing Products	11
REASONS FOR ALLOWANCE OF WRIT	15
I. Fraud Was Committed on This Court in Obtaining Determination of Infringement	15
II. This Court Should Say Whether Patent Infringement Damages May Be Measured by Products Not Covered by Patent and Not Even Usable With Patented Article	16
CONCLUSION	17

TABLE OF AUTHORITIES.

Cases.

Briggs v. Pennsylvania Railroad Co. (1948), 334 U. S. 304 15

Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company v. The Linde Air Products Company (1949), 336 U. S. 271 2

Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company v. The Linde Air Products Company (1950), 339 U. S. 605 2

Hazel-Atlas Glass Co. v. Hartford-Empire Co. (1944), 322 U. S. 238 15

Leitch Manufacturing Co. v. Barber Company (1938), 302 U. S. 458 16

Mercoid Corporation v. Mid-Continent Investment Co. (1944), 320 U. S. 661 16

Shawkee Manufacturing Co. v. Hartford-Empire Co. (1944), 322 U. S. 271 15

Statutes.

28 U. S. C. 1254(1) 3

28 U. S. C. 1338(a) 6

28 U. S. C. 2101(c) 3

35 U. S. C. 284 ..... 6, 11, 16

Article.

"*What Is a Patent?*" 13 Law and Contemporary Problems 245, by Walton Hamilton and Irene Till (p. 248) 17

RECORD REFERENCES.

The record in this case has been certified to this Court in the companion case, No. 576, October Term 1960, styled *Union Carbide Corporation v. Graver Tank & Mfg. Co., Inc.* and *The Lincoln Electric Company.*

Citations to Volumes I-IV of the record (i.e., the joint appendix filed in the court below and certified here) are to page numbers in parentheses, e.g. "(1145)." Pages 1-480 are in Volume I, pages 481-954 are in Volume II, pages 955-1343 are in Volume III, and pages 1345-1402 are in Volume IV which is the supplemental joint appendix.

The "Exhibit Volume" of the joint appendix is separately paged. Citations to that volume are by exhibit number followed by the exhibit-volume page number, e.g. "(DX 241, Exhibit Volume, p. 492)."

Citations to the two-volume printed record of the original infringement case in this Court (Nos. 184 and 185, October Term 1948, 336 U. S. 271, and No. 2, October Term 1949, 339 U. S. 605) are to "O. R." for "old record," e.g. "(I O. R. 46)."

Citations to the two-volume printed record in the contempt case (No. 714, October Term 1951 in this Court, upon denial of certiorari, 343 U. S. 967) are to "C. R." for "contempt record," e.g. "(II C. R. 760)."

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PETITION FOR WRIT OF CERTIORARI
To the United States Court of Appeals For the Seventh Circuit.

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioners pray that a writ of certiorari issue to the United States Court of Appeals for the Seventh Circuit to review judgments entered in the following companion appeals in that court:

No. 12,797, wherein respondent, Union Carbide Corporation, is plaintiff-appellant, and petitioners, Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company, are defendants-appellees, and

No. 12,798, wherein petitioners, Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company, are defendants-appellants, and respondent, Union Carbide Corporation, is plaintiff-appellee.

The two appeals were separately taken by petitioners and respondent from the judgment entered in the United States District Court for the Northern District of Indiana,

Hammond Division, by District Judge Luther M. Swygert, upon remand from this Court. The appeals were jointly heard in the Court of Appeals by Chief Judge John S. Hastings and Circuit Judges F. Ryan Duffy and J. Earl Major, upon a single record, and were decided by it in a single opinion by separate but identical judgments entered in each case.

NATURE OF THE CASE.

This petition brings unfinished business to this Court.

As now appears, the prior decision of this Court, in this case, was induced by fraud.

The action is on a patent, U. S. No. 2,043,960, owned by respondent Union Carbide Corporation, which, as it originally issued, dominated the field of submerged arc welding. It covered the process and substantially all fluxes usable in the process.

This Court, in this case, held the patent valid as to four claims covering a flux for use in the process but held the dominating flux claims and the process claims invalid. This Court further, two justices dissenting, held that the accused product, Lincolnweld 660 flux, although not within the valid claims as written, infringed the patent by application of the doctrine of equivalents:

> *Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company v. The Linde Air Products Company* (1949), 336 U. S. 271;
>
> *Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company v. The Linde Air Products Company* (1950), 339 U. S. 605.

The question of damages then left open is now before this Court.

It arises upon a record that shows this Court's holding of infringement was induced by representations now exposed as false by sworn proofs filed by the successful party, in other proceedings in the Patent Office.

—Opinions Below.

The opinion of the Court of Appeals is reported in 282 F. 2d 653, 127 U. S. P. Q. 3; the opinion of the District Court appears in 124 U. S. P. Q. 62.

Both opinions are set forth in the appendix to the petition for certiorari in the companion case, *Union Carbide Corporation v. Graver Tank & Mfg. Co., Inc.* and *The Lincoln Electric Company*, No. 576, October Term 1960, the opinion of the Court of Appeals at page A-58 and the opinion of the District Court at page A-38.

—Jurisdiction.

The judgments below, entered upon separate appeals by petitioners and respondent, are dated and were entered by the Court of Appeals on August 31, 1960. Petition for rehearing, seasonably filed, was overruled on October 13, 1960.

The judgment is set forth in the appendix to the petition for certiorari in No. 576, at page A-105.

This Court has jurisdiction to review under 28 U. S. C. § 1254(1) upon petition filed pursuant to 28 U. S. C. § 2101(c).

QUESTIONS PRESENTED.

This case presents two questions:

1. **Whether fraud bars** patent infringement damages where a party obtains from this Court a determination of infringement by representations which, as is subsequently discovered, are false, as shown by the party's sworn proofs filed in other proceedings in the Patent Office.

THE COURT OF APPEALS RECOGNIZED that its hands were tied by this Court's mandate. However, as to the representations that induced the determination of infringement, the Court of Appeals noted:

> "It is suggested that these representations made to the Patent Office are immaterial as they bear only upon the issue of infringement which has been adjudicated adversely to Lincoln." (Appendix to petition in No. 576, p. A-71; 282 F. 2d at 661.)

THE COURT OF APPEALS SAID, as to this excuse:

> "True, that issue is no longer open but, even so, it is an interesting, though futile, matter for speculation as to what the courts would have decided on the issue of infringement if they had been favored with the appraisement which Clapp and Miller later placed upon the teachings of the Jones patent [i.e., Union Carbide's sworn proofs filed in other proceedings in the Patent Office]." (Appendix in No. 576, p. A-71; 282 F. 2d at 662.)

2. **Whether the standard for measuring damages for patent infringement, on the basis of the statutory "reasonable royalty" for the sale of $4,353,777 worth of infringing product, an electric arc welding flux, permits damages to be calculated by taking into account, not only the infringing product, but also:**

   (a) **$9,138,194 worth of electric arc welding machinery and equipment not covered by the patent but *usable with the patented flux*, and, in addition,**

   (b) **$99,124,605 worth of electric arc welding machinery, equipment and supplies not covered by the patent and *not even usable with the patented article*.**

THE COURT OF APPEALS NOTED that in determining the statutory "reasonable royalty" in this case:

> "many factors were taken into consideration, including Lincoln's profits not only from the sale of the infringing flux but also from the sale of non-infringing items." (Appendix in No. 576, p. A-97; 282 F. 2d at 674-675.)

THE COURT OF APPEALS SAID, in approving the calculation based in part on noninfringing products, including materials not even usable with the patented article, that it deemed the question not settled by authority, and added:

> "the question, in our view, is not entirely free from doubt." (Appendix in No. 576, p. A-90; 282 F. 2d at 671.)

STATUTE INVOLVED.

The statute governing patent infringement damages, 35 U. S. C. § 284, with the particularly relevant part italicized, reads:

> "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a *reasonable royalty for* the use made of *the invention* by the infringer, together with interest and costs as fixed by the court."

STATEMENT OF CASE.

This action for infringement of Jones patent No. 2,043,960, relating to electric welding, was brought before the United States District Court for the Northern District of Indiana, Hammond Division, pursuant to 28 U. S. C. § 1338(a).

Infringement having been determined in the prior proceedings, the case now comes here on the question of damages allowable.

—The Parties.

The action was originally brought by The Linde Air Products Company, a wholly owned subsidiary of Union Carbide and Carbon Corporation. The subsidiary has since been merged into its parent which, by change of name, is now known as Union Carbide Corporation. It has been substituted as plaintiff in place of the original plaintiff.

The action was brought against Graver Tank & Mfg. Co., Inc., a concern in East Chicago, Indiana, engaged in the manufacture of tanks and like products, a user of the assertedly patented process and of the flux adjudged to

infringe, and against The Lincoln Electric Company of Cleveland, Ohio, a manufacturer of electric arc welding machinery, equipment and fluxes, including the flux held to infringe.

—The Patent in Suit.

The patent, until decision here, covered the process of submerged arc welding and fluxes usable therewith. The process claims and the dominating flux claims were here held invalid, and the patent monopoly confined to:

> "that which was claimed and bounded by the composition claims Nos. 18, 20, 22 and 23." (336 U. S. at 274.)

Each of these claims is confined to a welding flux:

> "containing a major proportion of alkaline earth metal silicate * * *." (See patent, Exhibit Volume, p. 6.)

The flux Lincoln made and sold, known as Lincolnweld 660, which was held an infringement, was 95% manganese silicate. (Appendix in No. 576, p. A-71; 282 F. 2d at 661.) Although manganese silicate is *not* an alkaline earth metal silicate (339 U. S. at 610), this Court, Mr. Justice Black and Mr. Justice Douglas dissenting, held it an equivalent and, therefore, an infringement.

—The Fraud on the Courts.

Union Carbide represented to the courts, including this Court—and thereby obtained the determination of infringement—that, to the expert eye, Jones taught the use of manganese silicate as a welding flux and that manganese silicate was, therefore, "an equivalent" of the material of the claims. It now turns out that Union Carbide's sworn proofs, then on file in other proceedings in the Patent Office, brand those representations false.

(i) Union Carbide Represented to the Courts That Use of Manganese Silicate as Welding Flux Was Taught by Jones Patent in Suit, as Read by Experts.

Union Carbide induced the trial court to find on the original trial, and this Court to affirm, that:

> "The patent discloses that manganese silicate, when used as a principal constituent of a welding composition prepared according to the teachings of the patent, is a proper substitute for the silicates of the alkaline earth metals." (Judge Swygert's Finding 14 on the original trial; I O. R. 925.)
>
> "A person skilled in the art can produce the accused Lincolnweld 660 flux by following the teaching of the patent in suit." (Judge Swygert's Finding 22 on the original trial; I O. R. 926.)
>
> "The patent in suit teaches the substitution of manganese for other basic oxides and is not limited to the use of a moderate amount of manganese in addition to other basic oxides." (Judge Swygert's Finding 24 on the original trial; I O. R. 927.)

By hiding what was known to its own experts, Union Carbide induced Judge Swygert to make these findings on June 6, 1947. In reliance on those representations, repeated here, this Court deemed Lincoln's use of manganese silicate an infringement.

(ii) Union Carbide's Sworn Proofs in Other Proceedings Show the Representations on Which This Court Acted Were False.

Union Carbide's sworn proofs, filed in other proceedings in the Patent Office were not known at the time. They were not discovered until after the Master's report assessing damages in this case had been submitted to the District Court.

The record of Union Carbide's duplicity (summarized by the Court of Appeals in its opinion, pages A-69 to

A-71 of the appendix in No. 576, and 282 F. 2d at 661-662) unfolds in DX 241 and DX 242, Exhibit Volume, pp. 488-500. These are the file wrappers detailing the proofs Union Carbide submitted to the Patent Office to induce the issue of two other patents. The proceedings to obtain those patents were prosecuted by the same patent solicitors who theretofore had obtained the Jones patent in suit. On both applications patents issued; both are owned by Union Carbide.

One of the subsequent patents issued to Clapp, a welding engineer in the employ of Union Carbide. He is no small-bore engineer. He is in charge of Union Carbide's research laboratories. In support of that patent application, another employee of Union Carbide, Keir, a welding engineer, also vouched for by Union Carbide, submitted his affidavit setting forth further information concerning the Jones patent.

The second of the two later patents issued to Miller, another employee of Union Carbide. In support of that patent Clapp filed his affidavit concerning his investigations of Jones.

Now, note this—

Union Carbide represented to the courts, including this Court, that, to the expert eye, the Jones patent taught the use of manganese silicate up to the 95% used by Lincoln in its 660 flux. But Union Carbide chose not to reveal to the courts its sworn proof to the Patent Office that Jones did *not* teach the use of manganese, except only as an additive "in moderate amounts," meaning less than 4%. (Exhibit Volume, pp. 489, 490, 494.)

The information Union Carbide submitted to the Patent Office (but did not disclose to the courts) was neither casually collected nor hastily analyzed. It was no

offhand piece of work: To the contrary, Clapp in his affidavit told the Patent Office that for "seven years" he had "spent the major portion of his time" (Exhibit Volume, p. 498) studying welding "of the type described" in the Jones patent and he, Miller, and Keir, and the patent solicitors agreed that in the Jones patent:

> "there is clearly no teaching for what purpose or in what amounts it [i.e., manganese] is to be added." (Exhibit Volume, p. 490.)

Clapp assured the Patent Office that he found out only "after a great deal of experimentation" that it would be possible to use *as much as 4% to 16%* (Exhibit Volume, p. 490) and this he and his colleagues said was "new and unobvious" (Exhibit Volume, pp. 490, 491, 493, 499), most surely "not apparent from the teaching of U. S. patent No. 2,043,960"—i.e., the Jones patent in suit (Exhibit Volume, p. 493), and "could not have been predicted from the teachings" of Jones. (Exhibit Volume, pp. 496, 499.)

Clapp, who on May 14, 1940 (with the help of his fellow employee Keir, billed as "an entirely disinterested expert," Exhibit Volume, p. 491) obtained his patent on welding with a flux containing up to 16% manganese (Exhibit Volume, p. 488), explained, when Miller sought, and (on January 12, 1943) obtained, his patent on welding with a flux containing "from 30% to 65% of manganese oxide" (Exhibit Volume, p. 494), that on the basis of his seven-year study of Jones (Exhibit Volume, p. 498) he had been "of the opinion" that:

> "welding conditions were adversely affected *if the manganese percentage was above 16%*" (Exhibit Volume, p. 499)

and that it was not only novel and unobvious, but absolutely "surprising to him" (Exhibit Volume, p. 499), that the Miller flux, which included as much as "*30% to 65% of manganese oxide*" (Exhibit Volume, p. 494):

> "produces entirely satisfactory results *even though the manganese content is far higher than he had thought permissible.*" (Exhibit Volume, p. 499.)

This, he swore, "could not have been predicted" from Jones. (Exhibit Volume, p. 499.)

But Union Carbide nevertheless felt free to assure the trial court, and this Court, that 95% manganese was the teaching of Jones, as read by experts.

Both of these Union Carbide experts testified on the original trial before Judge Swygert (Clapp at I O. R. 161, and Keir at I O. R. 676), and again on the present accounting proceedings (Clapp at 1102 and Keir at 475). But, instead of revealing then, what has now been unearthed, Union Carbide chose to keep that information hidden.

The other point the case raises relates to—

—Toll Laid on Noninfringing Products.

The Master found, and the District Court and the Court of Appeals agreed, Union Carbide proved no damages. Accordingly, recovery was allowed on the basis of the statutory:

> "reasonable royalty for the use made of the invention by the infringer * * *." (35 U. S. C. § 284.)

The infringing product sold for a total of $4,353,777. Instead of calculating the statutory "reasonable royalty" as a reasonable percentage of the selling price of the infringing article, the Master took into account—and the District Court and the Court of Appeals approved—sales

of other products, not covered by the patent, which in no way infringed, which consisted of ordinary articles of commerce sold by other manufacturers, and most of which were not even usable with the patented article. The non-infringing materials taken into account, on which in part Union Carbide's recovery is based, are:

(a) $9,138,194 worth of welding machinery, equipment and supplies not covered by the patent but *usable with the patented flux*. More than a third in dollar amount comprised generators sold by Lincoln in competition with other manufacturers but which were not even sold by Union Carbide. Nearly one-third was welding rod sold by Lincoln in competition with Union Carbide and at least 18 others. The balance comprised a unique Lincoln development, the squirt welder, and, in addition, equipment sold by Lincoln in competition with other manufacturers such as General Electric and Westinghouse. (Finding 47, 1169.)

(b) $99,194,605 worth of other welding supplies and equipment not covered by the patent and *not even usable with the patented product*. This was largely hand welding equipment having nothing to do with submerged-arc welding or with the patent in suit. (Finding 46, 1169; 1185.)

The Master found, and both courts below agreed, that the 660 flux did not bring new customers to Lincoln. Lincoln was a long-established manufacturer (Finding 23, 1159) and, before it made any 660 flux, already "had commercial entree to virtually all industrial plants having a use for electric arc welding." (Finding 24, 1160.) "More than 99% of all the 660 flux was sold to purchasers who

were already customers of Lincoln for other products." (Finding 45, 1169.)

In addition to the $108,332,799 of nonpatented products taken into account in calculating the statutory "reasonable royalty" on $4,353,777 worth of infringing flux, Union Carbide sought to include also other welding fluxes sold by Lincoln. These are the 700-series fluxes Lincoln marketed after this Court held the 660 flux infringed. The 700-series fluxes were charged by Union Carbide to be infringing articles, but they were adjudged, subsequent to the proceedings in this Court, to be outside the patent. 196 F. 2d 103, certiorari denied 343 U. S. 967, rehearing denied 344 U. S. 849. The District Court held the noninfringing 700-series fluxes could not be taken into account in calculating the statutory "reasonable royalty" on the infringing 660 flux because:

> "if the royalty on the infringing flux is increased by reason of the sales of the 700-series flux, the result is the same as if Lincoln were compelled to pay for selling flux which the Court of Appeals said did not infringe." (54.)

The Court of Appeals agreed Lincoln could not be required to pay a royalty in any degree based on its sales of the noninfringing 700-series fluxes, but held the equally noninfringing machinery and equipment, including products not even usable with the patented article, *could be* taken into account in calculating the statutory "reasonable royalty" on the infringing flux.

The Court of Appeals noted that in calculating the amount recoverable as a "reasonable royalty" on the sale of $4,353,777 of infringing flux:

> "The Master found that during the period of infringement Lincoln sold non-infringing machines, equip-

ment and supplies, *usable with* the 660 flux, amounting to $9,138,194.99, on which Lincoln's profit before taxes was $1,393,042.39, and also sold non-infringing machines, equipment and supplies, *not usable with* the 660 flux but purchased by customers who had purchased 660 flux, amounting to $99,194,605, on which Lincoln's profit before taxes was $15,228,416, and after taxes $8,468,708.

The Master in his report stated that he did 'take into consideration the fact that Lincoln did sell welding supplies, equipment and machines usable both with and independent of its 660 flux and the extent of such sales and the profit it made from such operations in arriving at a reasonable royalty for the 660 flux * * *.'" (Appendix in No. 576, pp. A-89 to A-90; 282 F. 2d at 671.)

The Court of Appeals approved inclusion of such non-infringing products in the calculation of the statutory "reasonable royalty" but said:

"the question, in our view, is not entirely free from doubt." (Appendix in No. 576, p. A-90; 282 F. 2d at 671.)

REASONS FOR ALLOWANCE OF WRIT.

The writ prayed for should issue because:

I. FRAUD WAS COMMITTED ON THIS COURT IN OBTAINING DETERMINATION OF INFRINGEMENT.

A litigant who makes representations to the courts, indifferent to sworn proofs it offers on the same subject in other proceedings, should not profit by its fraud.

If this matter had proceeded to final judgment, fraud subsequently appearing would destroy the judgment. The successful party would be required to yield up the fruit so obtained:

> *Hazel-Atlas Glass Co. v. Hartford-Empire Co.* (1944), 322 U. S. 238;
> *Shawkee Manufacturing Co. v. Hartford-Empire Co.* (1944), 322 U. S. 271.

The same rule of law surely should apply where, as here, the holding of infringement is interlocutory and the case still open for determination of damages.

The Court of Appeals could not right this wrong. It was bound by this Court's mandate. A lower court "has no power or authority to deviate from the mandate issued by an appellate court." *Briggs v. Pennsylvania Railroad Co.* (1948), 334 U. S. 304, 306. However, this Court is not so bound. It made the order. It alone can undo it. It should do so to protect the integrity of its proceedings. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.* (1944), 322 U. S. 238.

II. THIS COURT SHOULD SAY WHETHER PATENT INFRINGEMENT DAMAGES MAY BE MEASURED BY PRODUCTS NOT COVERED BY PATENT AND NOT EVEN USABLE WITH PATENTED ARTICLE.

If the judgment below stands, the rule controlling patent infringement damages will have been vastly expanded.

The statute, 35 U. S. C. § 284, allows damages measured by "the use made of the invention by the infringer." Here damages have been enhanced by adding to "the invention" products which are ordinary articles of commerce, are not covered by the patent, do not infringe, are sold by many competitors, and which in large part are not even usable with the patented article.

Had the patent owner licensed Lincoln to use its patent upon payment of a royalty measured by the sale, not only of the patented article, but of nonpatented products as well, this Court's cases would brand that a prohibited misuse of the patent. All recovery would be barred. As this Court, in *Mercoid Corporation v. Mid-Continent Investment Co.* (1944), 320 U. S. 661, pointed out (p. 666):

> "The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent * * *."

This rule, the Court in *Leitch Manufacturing Co. v. Barber Company* (1938), 302 U. S. 458, said (p. 463):

> "applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly."

Here a license the parties could not lawfully have agreed upon is made the measure of damages. Here the parties are, by the measure of damages the courts below applied, deemed to have made an agreement the law would not have permitted them to make. The "reasonable royalty," under the statute, and under this Court's

decisions, must be calculated on "the invention"—in this case, the flux. The patentee may not collect on matter outside the patent. As is pointed out in *"What Is a Patent?"* 13 Law and Contemporary Problems 245, by Walton Hamilton and Irene Till (p. 248):

> "His remuneration—if much or less or any at all—must come directly from the exclusive right with which he is endowed in the practice of the invention. It does not, according to the Constitution and the statutes, come from privileges in relation to matters outside the invention."

Here the royalty has been calculated on "matters outside the invention."

The Court of Appeals approved, "even though the question, in our view, is not entirely free from doubt." (Appendix in No. 576, p. A-90; 282 F. 2d at 671.)

The law should so be settled that there will be no doubt.

CONCLUSION.

This case presents questions of obvious importance. They are questions important:

1. To the integrity of the judicial process, and
2. To every patent accounting, from here on indefinitely into the future until this Court shall otherwise speak. The standard to be applied in measuring damages should not—to the loss of the American people—be left in doubt.

Respectfully submitted,

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December 20, 1960.

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

TABLE OF CONTENTS.

	PAGE
CONFLICT WITH THIS COURT'S 1950 DECISION	2
THE PRESENT DECISION VIOLATES RULE 52(a)	3
"FRAUD ON THE COURTS"	5
1. No charge of fraud in Courts below	5
2. Public documents readily available	6
3. Claim of newly discovered evidence	7
4. No material bearing on issue of infringement	8
THE REASONABLE ROYALTY RATE	11
CONCLUSION	14

TABLE OF AUTHORITIES.

CASES.

Edgerton v. *Fitzmaurice*, 29 Ch. D. 459 (1885)	4
Toledo Co. v. *Computing Co.*, 261 U. S. 399 (1923)	7

RULES.

Rule 52(a), Federal Rules of Civil Procedure	3; 4
Rule 16, Rules of Practice in the United States Patent Office, 37 C. F. R. §1.16 (1939) (superseded March 1, 1949, 13 Fed. Reg. 9575 [1948]; now Rule 11, Rules of Practice in Patent Cases)	6

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

The petition in Docket No. 604, although not so entitled, is a cross-petition to *Union Carbide Corporation, Petitioner* v. *Graver Tank & Mfg. Co., Inc. and the Lincoln Electric Company, Respondents*, Docket No. 576. Graver and Lincoln have also served an opposing brief in Docket No. 576 and the opposing brief and cross-petition both feature a charge of "fraud". This charge is used in the cross-petition to support an argument that this Court should review this case, and also used in the opposing brief for the contrary argument that this Court should not review this case.

The logic of this is hard to grasp. Graver and Lincoln are practicing the maxim that the best defense is an aggressive offense. Certain it is that the opposing brief attempts no real defense to our petition but remains discreetly silent, very silent, as to the two questions we presented.

Conflict with this Court's 1950 decision.

Here is the first question we presented in Union Carbide's petition in No. 576:

> "Is one who derives a product from the teachings of the patent and not as a result of independent research or experimentation any the less a 'conscious and wilful' infringer because he makes an effort to avoid literal infringement?"

This Court in its 1950 decision squarely decided that question against Lincoln.* This Court said:

> "One who seeks to pirate an invention, like one who seeks to pirate a copyrighted book or play, may be expected to introduce minor variations to conceal and shelter the piracy. Outright and forthright duplication is a dull and very rare type of infringement. To prohibit no other would place the inventor at the mercy of verbalism and would be subordinating substance to form. . . .
>
> "The doctrine of equivalents evolved in response to this experience. The essence of the doctrine is that one may not practice a fraud on a patent" (339 U. S. at 607-8).

The Court of Appeals has now squarely decided that question in favor of Lincoln, saying:

> "It strikes us as an anomaly to find that Lincoln copied from the patent but that infringement was

* Lincoln is the principal defendant and has conducted the defense of this action.

found only by application of the doctrine of equivalents" (A-64).*

The question whether infringement is "conscious and wilful" is often a factor of key importance in patent cases. This is a landmark case and the decisions this Court rendered in 1949 and 1950 have been cited many times. The decision of the Court of Appeals will undo the work this Court did and leave the law in a state of confusion, as we show at pages 16-19 of our petition in No. 576. Lincoln's opposing brief does not attempt any argument to the contrary.

The present decision violates Rule 52(a).

Here is the second question we presented in Union Carbide's petition in No. 576:

> "Has the Court of Appeals violated Rule 52(a) by its determination that respondent Lincoln was not a 'conscious and wilful' infringer?"

The proceedings and hearings before the Master in this accounting proceeding extended over a period of three and a half years. The trial before the Master occupied a full month of daily sessions, and 20 witnesses were examined

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* The following abbreviations are used in the record references in this brief:

"A ....." refers to the appendix annexed to the petition in No. 576, *Union Carbide Corporation, Petitioner,* v. *Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company, Respondents.*

"I App.", "II App.", "III App." and "IV App." refer to the four numbered volumes and "Ex. App." refers to the "Exhibit Volume" of the Joint Appendix in the court below. These were filed with the petition in No. 576.

"I R." and "II R." refer to the two volumes of the printed record herein in 1949 and 1950.

and cross-examined. There were 712 documentary exhibits, motion pictures, welding demonstrations and other forms of evidence.

Yet the Court of Appeals was misled into the belief that "The evidentiary facts in this case are undisputed" (A-62). The Court of Appeals treats the handiwork of the Master and the District Judge as merely a conclusion arrived at by a "process of reasoning" (A-64).

Motive, good faith and the like are questions of fact, not law, and come within the scope of Rule 52(a). We cited a few of the many authorities on the point at pages 20-23 of Union Carbide's petition in No. 576.

> "The state of a man's mind is as much a fact as the state of his digestion." Bowen, L. J. in *Edgerton* v. *Fitzmaurice*, 29 Ch. D. 459, 483 (1885).

Rule 52(a) is a matter of continuing and vital importance in the proper administration of the federal courts.

Here again Lincoln's opposing brief in No. 576 adopts the same ostrich-like technique and remains discreetly silent. The entire discussion as to Rule 52(a) consists of a single sentence on page 18: "Nothing in Rule 52(a) requires a reviewing court to abdicate the reviewing function." That can hardly be regarded as an adequate answer to the second point presented in our petition.

Judge Swygert, on the basis of his study of the Master's findings as contained in his Report and the evidentiary record and his first-hand knowledge of the 1947 trial and other proceedings, found that Lincoln was a conscious and wilful infringer. If that is not the right result to reach on the facts in the present case, it is most difficult to know what it would take to make Lincoln a conscious and wilful infringer.

Yet the Court of Appeals, in reaching the opposite result, arrogated to itself the power to disregard the evidentiary record and the Master's findings without declaring any of them to be "clearly erroneous."

"Fraud on the Courts."

Now we turn to Lincoln's aggressive offense, the charge of "fraud on the Courts" which is the feature of Lincoln's cross-petition in No. 604 and also its opposing brief in No. 576. Lincoln bottoms this charge on statements made in connection with two patent applications filed after the issue of the Jones *et al.* patent in suit on June 9, 1936. One application became Clapp patent No. 2,200,737 issued May 14, 1940, and the other became Miller patent No. 2,308,194 issued January 12, 1943.

Several things can be said about this charge of "fraud".

1. No charge of fraud in Courts below.

Lincoln put the Clapp and Miller file wrappers in evidence before Judge Swygert in 1958 in this accounting proceeding and Lincoln used these as the basis of argument on the issue of "copying" in the District Court and again in the Court of Appeals. But there was not a word said about "fraud" in either court. The argument was merely as to the interpretation of the language of the Jones *et al.* patent.

Judge Swygert rejected the argument with the observation that it was simply an "attempt to obtain a redetermination of the issues of infringement" (III App. 1317).

The Court of Appeals, however, opined:

> "True, that issue [infringement] is no longer open but, even so, it is an interesting, though futile, matter for speculation as to what the courts would have decided on the issue of infringement if they had been

favored with the appraisement which Clapp and Miller later placed upon the teachings of the Jones patent" (A-71).

It was this which has apparently emboldened petitioner Lincoln to advance its belated charge of fraud. The Court of Appeals did, indeed, go to some lengths in expressly rejecting other charges of bad faith leveled by petitioner Lincoln (A-102-A-103).

2. Public documents readily available.

In making this charge of "fraud" Lincoln's petition makes repeated assertions that Union Carbide had been "hiding" these records (p. 8).

That is nonsense. The records of prosecution of the Clapp and Miller patents were public documents open to all from the day the respective patents issued in 1940 and 1943. Anyone could inspect and copy them. They were thus readily available for a period of four years or more prior to the 1947 trial. (Rule 16 of the Rules of Practice in the United States Patent Office then in force, 37 C. F. R. §1.16 [1939] [superseded March 1, 1949, 13 Fed. Reg. 9575 (1948); now Rule 11, Rules of Practice in Patent Cases].)

The Clapp patent was well known to Lincoln's patent attorney at least as early as August 30, 1940 when he sent Lincoln a copy (MP 107C, Ex. App. 260, 261), and was the subject of frequent advices thereafter (MP 107I, 107L, 107FF, Ex. App. 271, 284, 340, 341). The Miller patent was sufficiently well known to Lincoln's attorney that he sought to make use of it at the 1947 trial before Judge Swygert (I R. 838, and see also I R. 944).

Furthermore, the record is clear that Lincoln's patent attorney, in preparing to defend the suit for infringement, made a careful investigation and study of respondent Union Carbide's welding patents. See, for example, MP

107C, 107D, 107I, 107L (Ex. App. 260-265; 270-280, 282-284) and MD 176 (Ex. App. 460-474).

3. Claim of newly discovered evidence.

This is really a claim of newly discovered evidence and not fraud. This case has been actively litigated since the complaint was filed on October 1, 1945 and Lincoln's patent attorney investigated Union Carbide's welding patents some years prior to that date. He got copies of the Clapp and Miller patents and it would normally be assumed that he looked at those file wrappers in the Patent Office. Yet Lincoln's attorneys do not give a word of explanation in their cross-petition or opposing brief as to how it was he failed to look at the Patent Office records or how they just happened to stumble over these file wrappers as late as 1958.

A somewhat similar situation was involved in *Toledo Co.* v. *Computing Co.*, 261 U. S. 399 (1923), where an adjudged infringer made applications to enjoin enforcement of the earlier judgment on the ground of fraud and this Court said with reference to his applications:

> "... based as they were upon the ground of newly discovered evidence, the indispensable condition of their being granted was that the failure to discover the evidence in time for the trial was not due to a lack of diligence on the part of the applicant. That condition precedent was not fulfilled" (261 U. S. at 421).

In that case this Court placed its decision upon

> "... a most salutary rule of law which after parties have had a full and fair opportunity to prepare their case, refuses to permit them to drag out litigation by bringing in new evidence which with due diligence they ought to have discovered before the hearing.

> The apparent hardship of particular cases should not and can not weigh against the application of this sound principle. As Mr. Justice Story remarked in *Ocean Insurance Co.* v. *Fields*, 2 Story, 59; 18 Fed. Cas. 532, 'It is for the public interest and policy to make an end to litigation, or, as was pointedly said by a great jurist, that suits may not be immortal, while men are mortal.' " (*id.* at 425.)

That decision is most appropriately applicable to the present case where the Patent Office files were easily available to Lincoln's attorneys four years or more prior to the 1947 trial and where this litigation has already been prolonged for 14 years since the interlocutory decree of validity and infringement was entered in 1947.

4. No material bearing on issue of infringement.

The truth of course is that Lincoln's attorneys found the Clapp and Miller patents of no help on the issue of infringement at the 1947 trial. Nor would the statements in the Clapp and Miller file wrappers have had any material bearing on Judge Swygert's findings quoted on page 8 of Lincoln's petition in No. 604.

The Jones *et al.* patent was issued for a pioneer invention of a composition for general use in a new kind of welding, submerged arc welding. The issue of a patent for such an invention does not mean the end of all invention within its area. It often happens that others come along with applications for "improvement" patents to fill specific needs. Alexander Graham Bell in 1876 obtained a basic patent for the telephone and specific improvements were covered by numerous improvement patents subsequently issued to others.

In the present instance a patent was issued May 14, 1940 on Clapp's application and a patent was issued January 12,

1943 on Miller's application. Both of these patents relate to the welding of one particular, stubbornly troublesome material, namely, "sulphur banded steel". As they explain, such "sulphur banding" had caused trouble when effort was made to weld with the flux of the patent in suit.

Clapp represented to the Patent Office that he had succeeded in welding sulphur banded steel when he limited the manganese silicate in his flux to between 4% and 16%.

Specifically, Clapp's attorney said to the Patent Office:

> "U. S. patent No. 2,043,960 to Jones et al. suggests a welding process employing a welding composition comprising an alkaline earth metal silicate and in which 'basic materials other than lime or magnesia, for example oxides of manganese, titanium, or the alkaline metals . . . may be added'. While this reference broadly suggests that manganese oxide may be present, there is clearly no teaching for what purpose or in what amounts it is to be added. Applicant, after a great deal of experimentation, has discovered that if between about 4% to 16% MnO is present in the welding composition, a new and unobvious result can be achieved, i.e., the production of sound welds in relatively high sulfur steel and in steels having sulfur bands.
>
> . . . . . .
>
> "Jones et al. does not disclose applicant's range of manganese nor that any special advantage, such as the production of sound welds in relatively high sulfur steel or steels having sulfur bands would be secured by the incorporation of MnO in the welding material" (Ex. App. 490-91).

But let us see in what distorted form the above passage emerges in Lincoln's petition in No. 604:

> ". . . Union Carbide chose not to reveal to the courts its sworn proof to the Patent Office that Jones did *not* teach the use of manganese, except only as

> an additive 'in moderate amounts,' meaning less than 4%" (p. 9; emphasis in original).

Again Lincoln argues that

> "Clapp assured the Patent Office that he found out only 'after a great deal of experimentation' that it would be possible to use *as much as 4% to 16%* ..." (p. 10; emphasis in original).

Those characterizations of the record are simply untrue. Clapp never represented that Jones (the patent in suit) taught only the use of less than 4% manganese, or only an amount up to 4%.

The Patent Office in 1939 rejected Clapp's claims precisely because Jones did teach manganese fluxes. Clapp acknowledged that Jones disclosed manganese fluxes broadly but argued that neither the specific proportions (4% to 16%) nor the special utility (for welding sulphur banded steel) were taught. Yet petitioner Lincoln says this constituted "fraud".

The Court of Appeals was misled by Lincoln's argument into saying (A-70-A-71) "Clapp found out only 'after a great deal of experimentation' that it would be possible to use as much as 4% to 16%". The "as much as" language is Lincoln's interjection. It finds no support whatever in the record.

What Lincoln has to say about the prosecution of the Miller patent also falls apart upon inspection. Somewhat after Clapp's work Miller found he could weld "sulphur banded steel" if he used manganese oxide in the range 30 to 65%. Clapp in a supporting affidavit said Miller's results were "surprising" to him since the "manganese content is far higher than he had thought permissible"

(Ex. App. 499). But petitioner Lincoln now distorts this to mean that Jones did not teach the use of as much as 95% manganese silicate (pp. 10-11), a patent which has nothing to do with sulphur banded steel.

The net of it is that Jones taught the use of manganese in a composition for general use in submerged arc welding; but Jones did not try to solve the special problems of Miller and Clapp and did not purport to specify how much manganese should be used in welding "sulphur banded" steel.

Likewise Lincoln was not trying to solve the special problems of Miller and Clapp. Lincoln, in order to maintain leadership in the welding industry, had to have a composition for general use that would successfully compete with the Unionmelt composition taught by the Jones *et al.* patent.

The Reasonable Royalty Rate.

Lincoln's petition in No. 604 seeks to bring in a second matter and this relates to the Master's findings as to the reasonable royalty rate. The Master made a finding that the reasonable royalty rate was 5 cents per pound of rod deposited and, with a ratio of one pound of rod to one and a half pounds of flux, this gave a royalty rate of 3⅓ cents per pound of 660 flux. Here is the finding:

> "Applying the reasonable royalty method of computing damages to the evidence and to the findings of fact herein set forth and with due consideration of the evidence and the findings herein concerning plaintiff's loss of sales of flux and loss of profits on sales of flux and welding equipment and supplies during the infringement period resulting from Lincoln's infringing activities, the minimum

> royalty that the plaintiff should be willing to accept and the defendants should be willing to pay for the right to make, use and sell the patented composition and being a reasonable royalty, was the sum of 5 cents per pound of rod deposited" (Finding No. 72 A-30-A-31).

Having determined the royalty rate per pound of flux, the Master applied the rate to the pounds of infringing flux produced and sold by Lincoln and thus calculated the award of damages. He did not compute any royalty on any sales of non-infringing equipment or material.

Lincoln, in selling the infringing 660 flux, also sold specially designed equipment for use with the flux in submerged arc welding and he also sold other items of welding supplies to the same customers during the same period of time. The Master found that such sales during the period of infringement aggregated more than $108,000,000 and produced more than $16,000,000 net profits (A-22). The Master took these facts into consideration in his finding as to the royalty rate to be applied to the 660 flux, saying:

> "... in the hypothetical negotiation of a reasonable royalty the parties would have taken such facts into consideration ..." (A-37).

Lincoln's petition in No. 604 claims that this was error. Petitioner Lincoln cites two cases involving situations where there was a contract obligation or tie-in between the patented item and non-patented products. But there was nothing of that kind in our present case. In the 1947 decision Judge Swygert cleared Union Carbide of any possible charge of misuse of the patent saying:

> "... it is hard to conceive what more plaintiff could have done to safeguard itself from charges of having unduly broadened its patent monopoly" (86 F. Supp. at p. 200).

What we have in the present case is the determination of the reasonable royalty rate to be calculated on the sales of the infringing flux. There was uncontroverted proof that Lincoln, in order to maintain its leadership, had to have a welding flux competitive with Union Carbide's patented flux, and that having the 660 flux in its line enabled Lincoln to do a large volume of profitable business with the customers who bought the infringing 660 flux. One significant fact was the disproportionate time and effort Lincoln's sales organization devoted to the sales of the 660 flux. The Master found:

> "Although the 660 flux constituted only about 3% of the sales volume of the Lincoln Company, its sales representatives devoted as much as 19% or more of their time in the promotional campaign for the 660 flux" (Finding No. 75 III App. 1180).

Judge Swygert held that the Master did not commit error in taking these facts into consideration. Judge Swygert said on this point "... the development of the infringing flux helped Lincoln maintain its prominence in the welding equipment and supply field" (A-42).

The common sense approach taken by the Master was also specifically approved by the Court of Appeals:

> "It must be kept in mind that the Master calculated no royalty upon the sale by Lincoln of non-infringing material; but that such royalty was confined solely to the sale of the infringing flux. It seems a logical and commonsense view that Lincoln, if it had been negotiating with Union Carbide for a license, would have taken into consideration all advantages which might accrue to it in determining a royalty which it would be willing to pay. A license to sell the patent flux would have enabled Lincoln to expand its business, increase its sales of non-infringing materials

and thereby increase its profits. Absent a license, Lincoln accomplished the same result by the sale of its non-infringing material in connection with the sale of its infringing flux. In another setting, as previously noted, Lincoln argues that the Court failed to apply the willing seller and willing buyer rule, but here, so it seems, it would have the Court ignore that rule" (A-90-A-91).

Conclusion.

Union Carbide's petition for a writ of certiorari in No. 576 involves questions basic to the application of the patent law by the Courts of Appeals. By contrast, Lincoln's petition in No. 604 involves no question of general applicability in other cases.

It is respectfully submitted that Union Carbide's petition in No. 576 should be granted and that Lincoln's petition in No. 604 should be denied.

Respectfully submitted,

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January 18, 1961.

In the Supreme Court of the United States

OCTOBER TERM, 1960

No. 604.

GRAVER TANK & MFG. CO., INC., and
THE LINCOLN ELECTRIC COMPANY,

Petitioners,

v.

UNION CARBIDE CORPORATION,

Respondent.

PETITIONERS' REPLY BRIEF
In Support of Their Petition for Writ of Certiorari.

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TABLE OF CONTENTS.

PETITIONERS' REPLY BRIEF In Support of Their Petition for Writ of Certiorari 1

I. FRAUD WAS COMMITTED ON THIS COURT IN OBTAINING DETERMINATION OF INFRINGEMENT 1

1. Only This Court Has Power to Relieve From Its Mandate and Undo the Wrong 1

2. Patent Owner May Not Tell One Story to Patent Office and Another in Court 2

3. Issue Is Not "Newly Discovered Evidence" But Integrity of the Judicial Process Itself 2

4. Fraud Cannot Be Explained Away as Having "No Material Bearing" 3

II. THIS COURT SHOULD SAY WHETHER PATENT INFRINGEMENT DAMAGES MAY BE MEASURED BY PRODUCTS NOT COVERED BY PATENT AND NOT EVEN USABLE WITH PATENTED ARTICLE 5

Conclusion 6

TABLE OF AUTHORITIES.

Cases.

Briggs v. Pennsylvania Railroad Co. (1948), 334 U. S. 304 1-2

Hazel-Atlas Glass Co. v. Hartford-Empire Co. (1944), 322 U. S. 238 2

Toledo Scale Company v. Computing Scale Company (1923), 261 U. S. 399 2-3

Statute.

35 U. S. C. § 284 5

RECORD REFERENCES.

The record in this case has been certified to this Court in the companion case, No. 576, October Term 1960, styled *Union Carbide Corporation v. Graver Tank & Mfg. Co., Inc. and The Lincoln Electric Company.*

Citations to Volumes I-IV of the record (i.e., the joint appendix filed in the court below and certified here) are to page numbers in parentheses, e.g. "(R. 1145)." Pages 1-480 are in Volume I, pages 481-954 are in Volume II, pages 955-1343 are in Volume III, and pages 1345-1402 are in Volume IV which is the supplemental joint appendix.

The "Exhibit Volume" of the joint appendix is separately paged. Citations to that volume are by exhibit number followed by the exhibit-volume page number, e.g. "(DX 241, Exhibit Volume, p. 492)."

Citations to the two-volume printed record of the original infringement case in this Court (Nos. 184 and 185, October Term 1948, 336 U. S. 271, and No. 2, October Term 1949, 339 U. S. 605) are to "O. R." for "old record," e.g. "(I O. R. 46)."

Citations to the two-volume printed record in the contempt case (No. 714, October Term 1951 in this Court, upon denial of certiorari, 343 U. S. 967) are to "C. R." for "contempt record," e.g. "(II C. R. 760)."

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UNION CARBIDE CORPORATION,

Respondent.

PETITIONERS' REPLY BRIEF

In Support of Their Petition for Writ of Certiorari.

Union Carbide's grounds for staying this Court's hand supply neither excuse for, nor answer to, the disquieting fact that:

I. FRAUD WAS COMMITTED ON THIS COURT IN OBTAINING DETERMINATION OF INFRINGEMENT.

In hope of retaining what its duplicity gained for it, Union Carbide makes four contentions.

They are without merit.

1. Only This Court Has Power to Relieve From Its Mandate and Undo the Wrong.

Union Carbide argues that it now is secure, for its fraud should earlier have been discovered, and that (p. 5) there was "No charge of fraud in Courts below."

The courts below, bound by this Court's mandate, could not cure the wrong. *Briggs v. Pennsylvania Railroad*

Co. (1948), 334 U. S. 304. Petitioners stand now in the first and only court that can aid them. So long as this Court's mandate stands Union Carbide will hold what it here obtained because it was willing to tell this Court what its sworn proofs in other proceedings show was false.

2. Patent Owner May Not Tell One Story to Patent Office and Another in Court.

In surveying Union Carbide's second escape route (p. 6), two things need to be noted:

1. No one claims "that Union Carbide had been 'hiding' these records." (See p. 6 of Union Carbide's brief.) It was not by "hiding" records, but (see the Graver-Lincoln petition, p. 8) "By hiding what was known to its own experts," that Union Carbide induced the holding of infringement.

2. It is no answer to the double-dealing worked on the courts that the Clapp and Miller patents were "known to Lincoln's patent attorney," as Union Carbide now argues. (p. 6.) The fraud is not in the patents; it is disclosed in the *file wrappers* on which those patents issued (DX 241 and DX 242, Exhibit Volume, pp. 488-500.) They show that the story Union Carbide told the courts, including this Court, is false.

3. Issue Is Not "Newly Discovered Evidence" But Integrity of the Judicial Process Itself.

This is not, as Union Carbide argues (p. 7), a mere matter of "newly discovered evidence." It is a question going to the purity of the judicial process itself. *Hazel-Atlas Glass Co. v. Hartford-Empire Co.* (1944), 322 U. S. 238. Nor is the way here barred, as in *Toledo Scale Com-*

pany v. Computing Scale Company (1923), 261 U. S. 399, on which Union Carbide hopefully relies to escape the scrutiny of this Court. There the judgment had become final after exhaustion of all review. Here the fraud-induced determination of infringement is still interlocutory—and within reach of this Court.

4. Fraud Cannot Be Explained Away As Having "No Material Bearing."

Union Carbide asserts (p. 8) that the fraud had "No material bearing" on the issue of infringement, and would explain it away on the astonishing ground (see p. 9 of Union Carbide's Brief in Opposition) that:

> "Clapp represented to the Patent Office that he had succeeded in welding sulphur banded steel when he limited the manganese silicate in his flux to between 4% and 16%."

That is *not* what Clapp told the Patent Office. Nor is it what Miller, or Keir, or the patent solicitors told the Patent Office.

Clapp told the Patent Office that he had discovered that as much as 16% manganese could be used in a welding flux. Miller told the Patent Office that he had discovered that as much as 65% could be used. To be sure, both dealt with sulphur-banded steel. But that had nothing to do with Patent Office objections. The Patent Office in each case cited in bar the Jones patent here in suit. Clapp did not then say, as Union Carbide now argues, that his invention lay in the fact that he had "limited the manganese silicate in his flux to between 4% and 16%". Nor did Miller. Nor did Keir. Nor did the patent solicitors, though they were the same patent solicitors who earlier had obtained the Jones patent. Instead they explained that Jones disclosed only that manganese

"may be *added in moderate* amounts * * * " (
hibit Volume, p. 489; and see the patent, Exh
Volume, p. 2, col. 2, lines 33-35.) [1]

Thus, they said, Jones "gives no directions concern
the amounts to be used or the results to be expecte
(Exhibit Volume, p. 489.) They explained that in Jon

"there is clearly no teaching for what purpose or
what amounts it [i.e., manganese] is to be add
(Exhibit Volume, p. 490)

and that it was indeed only "after a great deal of exp
mentation" (Exhibit Volume, p. 490) that Clapp fou
out that as much as 16% could be used.

When Miller later sought his patent on welding w
a flux containing as much as 65% manganese, Clapp to
oath that, although he had "spent the major portion of
time" for seven years (Exhibit Volume, p. 498) in stud
ing welding "of the type described" in the Jones patent
was "*surprising* to him" (Exhibit Volume, p. 499) th
the Miller flux, with its 65% manganese:

"produces entirely satisfactory results even though t
manganese content is far higher than he had thoug
permissible." (Exhibit Volume, p. 499.)

This, he swore, "could not have been predicted" fro
the Jones patent in suit. (Exhibit Volume, p. 499.)

There is nothing here to say, as Union Carbide argu
(p. 9), that Clapp "limited the manganese silicate in h
flux to between 4% and 16%." To the contrary, wh
appears is amazement that *as much as* 16% could be use

Notwithstanding such proofs by its own experts—th
fruit of 7 years study—Union Carbide found it possible
tell this Court (and on page 14 of its present brief repeats

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[1] Emphasis supplied throughout the brief

that Lincoln's 95% manganese silicate flux came from the patent.

Union Carbide's present explanations do not explain; they merely underline the fraud that was worked on this Court.

The other point this case raises—to which Union Carbide has no better answer—is that:

II. THIS COURT SHOULD SAY WHETHER PATENT INFRINGEMENT DAMAGES MAY BE MEASURED BY PRODUCTS NOT COVERED BY PATENT AND NOT EVEN USABLE WITH PATENTED ARTICLE.

Union Carbide says (p. 12):

> "He [the Master] did not compute any royalty on any sales of non-infringing equipment or material."

The Master said he *did*.

The Master said: "In determining reasonable royalty I *did* however, take into consideration the fact that Lincoln did sell welding supplies, equipment and machines usable both with and independent of its 660 flux and the extent of such sales and the profit it made from such operations in arriving at a reasonable royalty for the 660 flux . . ." (See Master's report, R. 1185.)

This, as the Master explained:

> "resulted in a total dollar amount [of 'reasonable royalty'] that exceeds the actual profit Lincoln made on its sales of 660 flux * * *." (R. 1185-1186.)

If this patent owner may through a judicially written and enforced license collect royalty on $4,353,777 worth of infringing product by taking into consideration $108,332,799 of products not covered by the patent, both the statute, 35 U. S. C. § 284, and this Court's work in

confining patents to the granted monopoly, will have been undone. If such be the law, the American people ought to be told; if it be not the law, patentees ought to be advised. In any case, whatever the law may be, it should not be left, as the Court of Appeals deemed it to be, "not entirely free from doubt." 282 F. 2d at 671.

CONCLUSION.

The Court should grant the writ.

Respectfully submitted,

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